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Macroeconomic policy questions: commodities

Report of the Second Committee*

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I. Introduction

1. The Second Committee held a substantive debate on agenda item 83 (d) (see A/59/481, para. 2). Action on sub-item (d) was taken at the 31st and 40th meetings, on 10 November and 16 December 2004. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/59/SR.31 and 40).

II. Consideration of draft resolutions A/C.2/59/L.26 and A/C.2/59/L.26/Rev.1

2. At the 31st meeting, on 10 November, the representative of Qatar, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "Commodities" (A/C.2/59/L.26), which read:

"*The General Assembly*,

"*Recalling* its resolution 58/204 of 23 December 2003, and stressing the urgent need to ensure its full implementation,

"*Recalling also* the United Nations Millennium Declaration adopted by heads of State and Government on 8 September 2000,

"*Recalling further* the Monterrey Consensus of the International Conference on Financing for Development,

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"*Recalling* the Plan of Implementation of the World Summit on Sustainable Development,

"*Recalling also* the Programme of Action for the Least Developed Countries for the Decade 2001-2010, and taking note of the Least Developed Countries Report, 2004,

"*Taking note* of developments in World Trade Organization negotiations, particularly on agricultural trade,

"*Taking note also* of the São Paulo Consensus adopted at the eleventh session of the United Nations Conference on Trade and Development, in particular paragraph 100 and part B of the annex,

"*Taking note further* of the report of the Trade and Development Board on its fifty-first session,

"*Recognizing* that commodity prices are an important element for heavily indebted poor countries that are dependent on commodities for maintaining long-term debt sustainability,

"*Recalling* the targets set out in the Rome Declaration on World Food Security and the Plan of Action of the World Food Summit and the outcome document of the World Food Summit: five years later, which reaffirms the pledge to end hunger and poverty,

"1. *Takes note* of the report of the Secretary-General on world commodity trends and prospects, including the fact that the real prices of many commodities remain on a declining trend;

"2. *Recognizes* that many developing countries are highly dependent on primary commodities as their principal source of export revenues, employment, income generation and domestic savings and as the driving force of investment, economic growth and social development;

"3. *Reiterates* the importance of maximizing the contribution of the commodity sector for sustained economic growth and sustainable development, while continuing diversification efforts in commodity-dependent developing countries;

"4. *Calls* upon the international community to address the loss of competitiveness and the negative commodity production and trade trends and to implement the measures necessary to improve livelihoods and food security in commodity-dependent developing countries;

"5. *Recognizes* that structural changes in international commodity markets, particularly the increasing concentration in trade and distribution, constitute new challenges for small farmers, commodity producers and exporters in developing countries;

"6. *Also recognizes* that developed countries account for two thirds of world non-fuel commodity imports, and emphasizes in this regard the crucial role developed countries have in establishing conditions in international commodity markets that are favourable to commodity-dependent developing countries;

"7. *Encourages* the relevant international organizations, including the Food and Agriculture Organization of the United Nations, the United Nations Conference on Trade and Development and others, to enhance their efforts in the development and implementation of commodity-risk-management mechanisms to address the commodity problems in developing countries;

"8. *Notes* that the supply capacity and adaptability of many countries is constrained by weak institutional and technical capacity, and calls upon developed countries and international organizations to make the necessary external resources, as well as capacity-building and institution-building support, available to those countries to further the development of their commodity sectors;

"9. *Expresses its concern* about the difficulties experienced by the developing countries in financing and implementing viable diversification programmes, which are essential for sustainable development and for gaining access to markets for their commodities;

"10. *Notes with concern* the decrease in official development assistance to agriculture, urges the donor community to reinforce its assistance to this sector, and also urges donor countries and organizations to increase their financial and technical support for activities aimed at addressing commodity issues, in particular the needs and problems of commodity-dependent developing countries;

"11. *Recognizes* that market exigencies can constitute formidable challenges to developing country commodity producers and exporters, in particular small farmers, and urges both developed and developing countries to take all steps necessary to enable those producers to enter global supply chains and to implement measures to facilitate their effective participation in such chains, and calls upon the private sector to promote partnerships that contribute to the effective participation of small producers in supply chains;

"12. *Encourages* developing countries to formulate specific commodity policies, creating an environment that provides incentives for rural producers and small farmers as part of their national development strategies and programmes, and encourages donor countries and organizations to provide the necessary support;

"13. *Stresses* the importance of continuing the diversification of the commodity sector and enhancing its competitiveness in developing countries that are heavily dependent on commodities, and in this regard encourages donor countries and organizations to provide the necessary support;

"14. *Regrets* that schemes to mitigate earnings shortfalls are far from reaching the originally envisaged goals, and urges donor countries and organizations to support the development of operational market-friendly compensatory financing schemes;

"15. *Reiterates* the role of the United Nations Conference on Trade and Development in addressing commodities issues in a comprehensive way in accordance with relevant General Assembly resolutions and the provisions of the São Paulo Consensus, and in this regard invites the developed countries to

provide additional resources to enable the United Nations Conference on Trade and Development to undertake those activities;

"16. *Requests* the Secretary-General of the United Nations Conference on Trade and Development to prepare, in cooperation with other relevant organizations, a comprehensive framework for action on commodity sector development, and encourages those organizations to contribute to the implementation of this framework;

"17. *Notes with concern* that the real prices of many commodities are still at historically very low levels, and requests the United Nations Conference on Trade and Development to explore ways of addressing this problem and of dealing with persistent oversupply situations through international and national actions;

"18. *Urges* those stakeholders that have expressed an interest in participating in the International Task Force on Commodities launched at the eleventh session of the United Nations Conference on Trade and Development, as well as other interested parties, to contribute financially and substantively to the effective operation of the Task Force, and encourages other donor countries and organizations to participate;

"19. *Requests* the United Nations Conference on Trade and Development to make recommendations on the establishment of a commodities diversification fund, focusing on developing private sector capacity, strengthening market institutions, developing strong producer associations for commodities with a proper role for producers, including women and small farmers, developing key infrastructure and stimulating investment;

"20. *Requests* the Secretary-General of the United Nations Conference on Trade and Development to submit a report on the implementation of the present resolution and to report on world commodity trends and prospects to the General Assembly at its sixty-first session;

"21. *Decides* to include in the provisional agenda of its sixty-first session, under the item entitled 'Macroeconomic policy questions', the sub-item entitled 'Commodities'."

3. At the 40th meeting, on 16 December, the Committee had before it a revised draft resolution entitled "Commodities" (A/C.2/59/L.26/Rev.1), submitted by Qatar, on behalf of the States Members of the United Nations that are members of the Group of 77 and China.

4. At the same meeting, the representative of Guyana, as facilitator, orally corrected the text of draft resolution A/C.2/59/L.26/Rev.1.

5. The representative of the United States of America requested a recorded vote on operative paragraph 12 of draft resolution A/C.2/59/L.26/Rev.1.

6. Statements were made by the representatives of Qatar (on behalf of the Group of 77 and China), Benin, the United States of America, the United Republic of Tanzania and the Sudan.

7. A statement in explanation of vote before the vote was made by the representative of the Netherlands (on behalf of the European Union).

8. At the same meeting, the Committee adopted operative paragraph 12 of the draft resolution by a vote of 150 to 1, with 2 abstentions. The voting was as follows:

In favour:[1]

Afghanistan, Albania, Algeria, Andorra, Angola, Argentina, Armenia, Australia, Austria, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Chad, Chile, China, Colombia, Conga, Costa Rica, Côte d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Democratic People's Republic of Korea, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Estonia, Ethiopia, Finland, France, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guyana, Haiti, Hungary, Iceland, India, Indonesia, Iran (Islamic Republic of), Ireland, Italy, Jamaica, Japan, Jordan, Kenya, Kyrgyzstan, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Libyan Arab Jamahiriya, Liechtenstein, Lithuania, Luxembourg, Madagascar, Malaysia, Maldives, Mali, Malta, Mexico, Micronesia (Federated States of), Monaco, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Republic of Korea, Republic of Moldova, Romania, Russian Federation, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Senegal, Serbia and Montenegro, Singapore, Slovakia, Slovenia, Somalia, South Africa, Spain, Sri Lanka, Sudan, Suriname, Sweden, Switzerland, Syrian Arab Republic, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Uganda, Ukraine, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, Uruguay, Venezuela (Bolivarian Republic of), Viet Nam, Yemen, Zambia, Zimbabwe.

Against:

United States of America.

Abstaining:

Canada, Israel.

9. A statement in explanation of vote after the vote was made by the representative of Japan.

10. At the same meeting, the Committee adopted draft resolution A/C.2/59/L.26/Rev.1 as a whole without a vote (see para. 11).

[1] The delegation of Saudi Arabia subsequently indicated that, had it been present, it would have voted in favour.

III. Recommendation of the Second Committee

11. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

Commodities

The General Assembly,

Recalling its resolutions 57/236 of 20 December 2002 and 58/204 of 23 December 2003, and stressing the urgent need to ensure their full implementation,

Recalling also the United Nations Millennium Declaration adopted by heads of State and Government on 8 September 2000,[1]

Taking note of the Monterrey Consensus of the International Conference on Financing for Development,[2]

Taking note also of the Plan of Implementation of the World Summit on Sustainable Development,[3]

Taking note further of the Programme of Action for the Least Developed Countries for the Decade 2001-2010[4] and the Least Developed Countries Report, 2004,[5]

Recalling the Doha work programme[6] adopted at the Fourth Ministerial Conference of the World Trade Organization, on 14 November 2001, and welcoming the decision adopted in this context by the General Council of the World Trade Organization on 1 August 2004,

Taking note of the São Paulo Consensus adopted at the eleventh session of the United Nations Conference on Trade and Development, particularly the paragraphs relating to commodities,[7]

Taking note also of the report of the Trade and Development Board on its fifty-first session,[8]

Recognizing that commodity prices are an important element for heavily indebted poor countries that are dependent on commodities for maintaining long-term debt sustainability,

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[1] See resolution 55/2.

[2] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[3] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

[4] See A/CONF.191/13, chap. II.

[5] United Nations publication, Sales No. E.04.II.D.27.

[6] See A/C.2/56/7, annex.

[7] TD/412, part II.

[8] A/59/15 (Part V). For the final text, see *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 15*.

Taking note of the targets set out in the Rome Declaration on World Food Security and the Plan of Action of the World Food Summit[9] and the outcome document of the World Food Summit: five years later,[10] which reaffirms the pledge to end hunger and poverty,

Recognizing that structural changes in international commodity markets, particularly the increasing concentration in trade and distribution, constitute new challenges for small farmers, commodity producers and exporters in developing countries,

Expressing its concern about the difficulties experienced by the developing countries in financing and implementing viable diversification programmes, which are essential for sustainable development and for attaining access to markets for their commodities,

1. *Takes note* of the report of Secretary-General on world commodity trends and prospects,[11] including the fact that while prices have improved for some commodities, the real prices of others remain on a declining trend;

2. *Recognizes* that many developing countries are highly dependent on primary commodities as their principal source of export revenues, employment, income generation and domestic savings and as the driving force of investment, economic growth and social development;

3. *Reiterates* the importance of maximizing the contribution of the commodity sector to sustained economic growth and sustainable development, while continuing diversification efforts in commodity-dependent developing countries;

4. *Emphasizes* the need for efforts by the developing countries that are heavily dependent on primary commodities to continue to promote a domestic policy and an institutional environment that encourage diversification and liberalization of the trade and export sectors and enhance competitiveness;

5. *Reaffirms* that each country has primary responsibility for its own economic and social development, and recognizes that an effective enabling environment at the national and international levels entails, inter alia, a sound macroeconomic framework, competitive markets, clearly defined property rights, an attractive investment climate, good governance, an absence of corruption and well-designed regulatory policies that protect the public interest and generate public confidence in market operations;

6. *Encourages* developing countries, with the necessary support of donor countries and the international community, to formulate specific commodity policies so as to contribute to the facilitation of trade expansion, the reduction of vulnerability and the improvement of livelihood and food security, by:

(a) Creating an enabling environment that encourages the participation of rural producers and small farmers;

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[9] Food and Agriculture Organization of the United Nations, *Report of the World Food Summit, 13-17 November 1996* (WFS 96/REP), part one, appendix.

[10] Ibid., *Report of the World Food Summit: five years later, 10-13 June 2002*, part one, appendix; see also A/57/499, annex.

[11] A/59/304.

(b) Continuing the diversification of the commodity sector and enhancing its competitiveness in developing countries that are heavily dependent on commodities;

(c) Increasing technology development and improving information systems, institutions and human resources;

7. *Notes* that the supply capacity and adaptability of many countries is constrained by weak institutional and technical capacity, and invites the international community to support commodity-dependent developing countries in addressing the loss of competitiveness and negative commodity production and trade trends and in taking the measures necessary to improve livelihoods and food security in commodity-dependent developing countries by supporting the design and implementation of commodity chain strategies, and welcomes initiatives taken in this regard;

8. *Emphasizes* the importance of official development assistance for agriculture and rural development, and invites developing countries to prioritize agriculture and rural development in their national development strategies and programmes, inter alia, in the New Partnership for Africa's Development, and in this regard invites developed countries and the donor community to further reinforce their assistance to those sectors in developing countries by providing financial and technical support for activities aimed at addressing commodity issues, particularly the needs and problems of commodity-dependent developing countries;

9. *Welcomes* the decision taken by the members of the World Trade Organization on 1 August 2004, and stresses the importance of a successful conclusion of the Doha work programme;[6]

10. *Reiterates* the importance of expanded South-South trade and investment in commodities;

11. *Recalls* the potential of regional integration and cooperation to improve the effectiveness of traditional commodity sectors and support diversification efforts;

12. *Calls upon* developed countries that have not already done so to work towards the objective of providing duty-free and quota-free market access for all least developed country products, and encourages developing countries in a position to do so to contribute to improved market access for the least developed countries;

13. *Recognizes* that developed countries account for two thirds of world non-fuel commodity imports, and expresses the urgent need for supportive international policies and measures to improve the functioning of the commodity markets through efficient and transparent price-formation mechanisms, including commodity exchanges, and through the use of viable and effective commodity price risk-management instruments;

14. *Also recognizes* that market exigencies can constitute formidable challenges to developing country commodity producers and exporters, in particular small farmers, and urges both developing and developed countries to take appropriate steps to enable those producers to enter global supply chains and to facilitate their effective participation in supply chains, and invites the private sector to promote partnerships that contribute to the effective participation of small producers in supply chains;

15. *Encourages* the United Nations Conference on Trade and Development, the Food and Agriculture Organization of the United Nations, the World Bank and other relevant international organizations, within their respective mandates, to enhance their efforts to facilitate access to market-based instruments, with prudential oversight for managing commodity risks due to price fluctuation and natural disasters, so as to address the commodity problems in developing countries;

16. *Regrets* that schemes to mitigate earnings shortfalls have not reached the originally envisaged goals, and urges Governments and invites international financial organizations to continue to assess the effectiveness, including the operationalization and user-friendliness, of the systems for compensatory financing of shortfalls in export earnings, and in this regard stresses the importance of empowering developing country commodity producers to insure themselves against risk, including natural disasters;

17. *Reiterates* the role of the United Nations Conference on Trade and Development in addressing commodities issues in a comprehensive way in accordance with relevant General Assembly resolutions and the provisions of the São Paulo Consensus,[7] and in this regard invites development partners to provide the resources required to enable the United Nations Conference on Trade and Development to undertake those activities;

18. *Notes with concern* that the real prices of some commodities are still on a declining trend, and requests the United Nations Conference on Trade and Development and the Food and Agriculture Organization of the United Nations, within their respective mandates, to explore appropriate ways of addressing this problem and identifying best practices for dealing with persistent oversupply situations;

19. *Calls upon* the United Nations Conference on Trade and Development to continue to work, in cooperation with all interested stakeholders, including donor countries and organizations, for the effective operation of the International Task Force on Commodities launched at the eleventh session of the United Nations Conference on Trade and Development, and invites interested parties to provide voluntary financial support for its effective operation;

20. *Underlines* the need to strengthen the Common Fund for Commodities and encourages it, in cooperation with the International Trade Centre UNCTAD/WTO, the United Nations Conference on Trade and Development and other relevant bodies, to continue to strengthen the activities covered by its Second Account in developing countries with its supply chain concept of improving access to markets and reliability of supply, enhancing diversification and addition of value, improving the competitiveness of commodities, strengthening the market chain, improving market structures, broadening the export base and ensuring the effective participation of all stakeholders;

21. *Invites* all relevant stakeholders, including the United Nations Conference on Trade and Development, the Common Fund for Commodities and the Food and Agriculture Organization of the United Nations, within their respective mandates, and other donors to intensify their support for the financing of commodity diversification, focusing on developing private sector capacity, strengthening market institutions, developing strong producer associations for

commodities with a proper role for producers, including women and small farmers, developing key infrastructure and stimulating investments;

22. *Requests* the Secretary-General of the United Nations, in collaboration with the Secretariat of the United Nations Conference on Trade and Development, to report on the implementation of the present resolution and to report on world commodity trends and prospects to the General Assembly at its sixty-first session;

23. *Decides* to include in the provisional agenda of its sixty-first session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "Commodities".